AEGON | Global Pensions

Expatriate pensions and employee commitment

Designing effective international retirement plans

We make pensions work

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Table of Contents

Introduction

Expatriate pensions – taking a long-term approach

Although occupational pensions are a traditional (or, in some countries, mandatory) part of the benefits package, pensions for expatriate employees have often been treated as a fringe benefit, provided on a case-by-case basis. In this paper, we urge companies to approach expatriate pensions not as a one-off solution to an individual overseas posting but rather as an integral part of a long-term retirement savings strategy, not only for the individual concerned but also for the sponsoring company. By viewing expatriate pensions in this way, companies can provide better and more efficient expatriate pension plans, and employees are more likely to understand the value of the benefit being provided.

The increasing importance of occupational pensions

In the light of the global financial and economic crisis, it is unsurprising that employees are generally feeling more pessimistic about their retirement options.[1] At the same time, people are also looking to their employers to help them save towards retirement. As a result, properly designed and implemented company pensions are likely to play an increasingly important role in attracting and motivating employees in the future – including expatriate employees.

Raising employee commitment

Companies provide pensions for many reasons, including legal compulsion, a desire to look after the employees on whom their business is built, and straightforward market competition. In this paper, we take a closer look at another important reason for providing pensions – the wish to incentivise employees to perform better and to raise employee commitment. Using data from AEGON's 2012 Retirement Readiness Survey, we conclude that it is not so much the type of pension being provided (Defined Benefit or Defined Contribution) as the feeling of security or optimism about retirement outcomes that makes a difference to employee commitment.[2] Employees who feel more optimistic about their ability to retire in comfort show more commitment to their employer.

Creating a flexible framework for expatriate pensions

If designed and communicated effectively, pensions can be a powerful tool for increasing employee commitment. This paper provides practical examples of how companies can maximise the benefit of their expatriate pension plan, showing how companies can create a flexible framework that will enable them to ensure that their expatriate employees can be confident of the benefit being provided. Like all other employees, expatriate employees require an adequate pension. This report provides ten simple guidelines on how to create efficient and effective pension solutions for these highly valuable employees.

1 AEGON 2012.

2 The findings used in this report are based on the responses of over 9,000 people in 9 countries for the AEGON Retirement Readiness Survey – The Changing Face of Retirement. Respondents were questioned using an online panel survey and interviews were conducted in January and February 2012. The interviews dealt with a wide range of issues covering attitudes towards pension preparedness, the role of the state and the employer in providing pensions, and the impact of the financial crisis on attitudes to issues such as investment risk and retirement planning.

Chapter 1
Pensions for expatriate employees

Finding the right pension solution for expatriate employees

Despite the economic crisis, the number of international assignments at companies worldwide continues to grow, with 47% in a recent survey reporting a growth in expat assignments over the last 12 months and 45% anticipating further growth over the coming year.[3] Expatriate workers tend to be high value employees, often with a multi-country international career ahead of them.

When looking to provide pensions to expatriate employees, there are a number of options available, depending upon the individuals themselves and where they will be working. European expatriate employees of multinationals moving within the EU can generally remain in their home country plans. In the UK, USA and the Netherlands, expatriate employees of multinational companies may even remain in their home country plan while working all over the world, whereas in other countries, for example, Switzerland, this is not possible. Most companies try to limit access to international retirement plans to 1% or 2% of the total workforce. A few companies even limit access to these plans to highly mobile employees with a structural international career (a career in which employees are intended to work for their company internationally for the longer term). Some companies also take into account the personal circumstances of 'global nomads', such as their marital status and whether they are moving with their family.

For many expatriate employees, their future career path – and ultimate place of retirement – may be unclear. For such true 'global nomads' – expatriate employees who are destined to work in multiple countries – it is often not possible to include them in any 'local' pension plan (either that of their original country of origin or their destination country). These employees require instead a country-independent solution that will enable them to continue saving towards retirement.

As country-independent solutions are not tax-qualified, they are not eligible for tax benefits like 'local' occupational pension plans. For some companies, this is a reason to try to keep as many expatriate employees as possible in local plans, but other companies are prepared to pay more in order to create a single solution for all of their expatriate employees. The absence of tax deduction of contributions allows a much more streamlined and centralised approach than you would typically see for local national pension solutions, which are heavily influenced by local tax regulations.

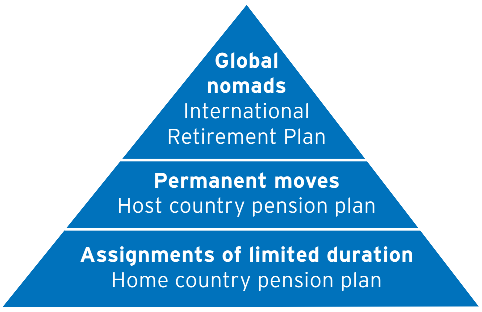
Given the importance of occupational pensions in general, it is perhaps surprising that only 12% of multinational companies have established international retirement plans for their expatriate employees.[4]

3 Forum for Expatriate Management Global Mobility Survey 2012.
4 Mercer 2011 Benefits Survey for Expatriates and Internationally Mobile Employees.

Categorising expatriate employees – who requires an expatriate pension plan?

Most multinational organisations distinguish between three categories of international employees: limited duration assignments (or short-term assignees), permanent moves (long-term assignees) and highly mobile international assignments ('global nomads').

Internationally mobile employees and pensions



Source: AEGON Global Pensions

For the first two categories - short-term assignees (0-3 years) and long-term assignees - the most common policy is to keep the employees in local pension plans, either in the home country or the new host country. For the third category – the global nomads – an international retirement plan is usually set up.

Long-term planning – the importance of pensions

A central theme in this paper is that expatriate pensions should be treated as a true pension plan. In other words, expatriate pensions should be designed so as to provide an adequate retirement income for expatriate employees.

Without thorough retirement planning and access to a suitable retirement plan, expatriate employees can be left with a significant 'pension gap.' Although some younger expatriate employees may be unaware of the potential difficulties that this may cause at a later stage, older expatriates are more likely to be aware of the issue. Inadequate pension provision may mean that expatriate employees choose to return to their home country in order to gain financial security. They may also dissuade others from making the same mistake. It is important for expatriates to feel secure about their pension plan.

A company that is able to provide its expatriate employees with a suitable retirement plan is more likely to be able to attract and retain such employees. A well designed and appropriate expatriate pension plan can demonstrate a company's commitment to its employees.[5] In addition, as we will demonstrate in the next chapter, by helping employees feel more optimistic about their retirement prospects, companies are likely to benefit in turn from more committed employees.

5 Nyce 2012. Between 2009 and 2011, the percentage of workers younger than 40 who agreed their retirement program was an important factor in accepting their job jumped from 28% to 63%.

Treating expatriate pensions not as a short-term, stop-gap measure but rather as a significant part of long-term retirement planning has important implications for expatriate plan design. Many aspects of prudent pension plan design should be transferred and applied to expatriate pensions. Areas that need to be taken into account include the governance of expatriate pension plans, contribution schedules, investment options and communication. These elements of design are addressed in chapter 3.

Create a global pensions framework for expatriate employees

Providing a pension solution for expatriates brings additional challenges. Most importantly, a company's workforce of expatriate employees is typically comprised of individuals from a range of different countries. These key employees may have specific expectations of a pension based upon their own cultural expectations, which in turn are formed by the fiscal and social security structures of their home country. Such expectations may not be met by the benefits on offer in their new host country. But it is not simply a question of bridging this gap in expectations.

A local pension benefit may simply not be suitable for expatriate employees who have no intention of settling in or retiring to the country in which they are presently working. Furthermore, expatriate employees may also build up entitlements to state pensions across a number of countries, some of which may be covered by treaties that enable them to amalgamate their pensions in their country of retirement but others that do not. Their retirement planning may also be further hampered by the fact that they must take into consideration the potential effects of variations in foreign exchange rates. If an expatriate employee is planning to retire in the USA but is saving for a pension in euro, how can they best ensure that they will achieve their retirement aims?

Expatriate employees are in many ways a different breed of employee in their own right. It is essential therefore to create a pension framework for expatriates that enables a common approach but is flexible enough to accommodate diversity. In this paper, we advocate (and describe) the establishment of a pension solution for expatriates, using many of the principles underlying local national pension solutions but with additional flexibility to allow for the diverse requirements of expatriate employees. We begin, however, by investigating how pensions can help raise the commitment levels of an expatriate workforce.

Chapter 2
Commitment and pensions

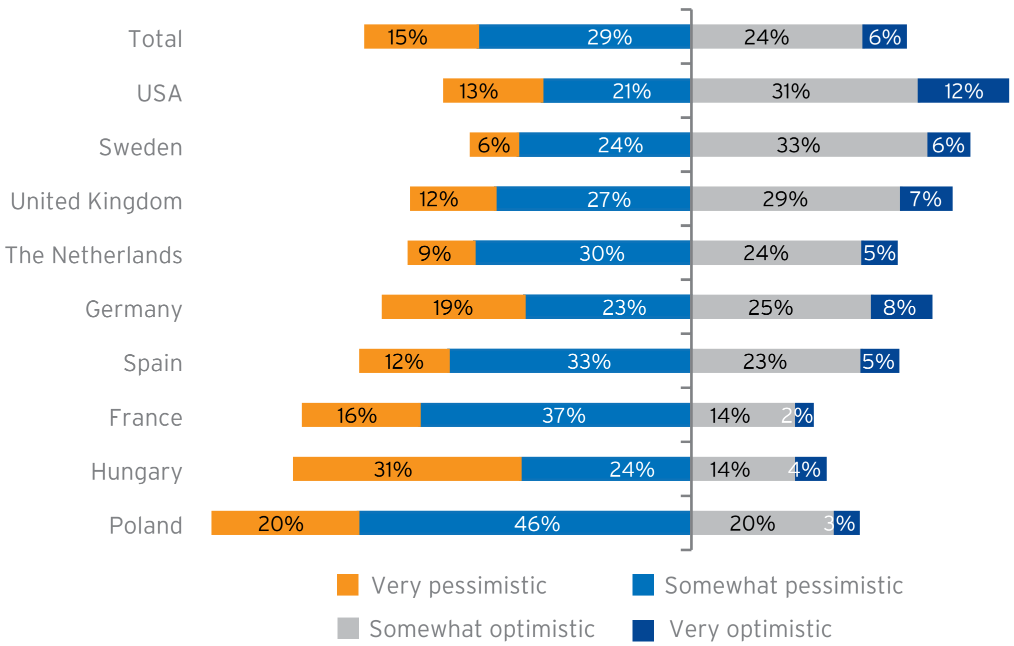
Employees are pessimistic about retirement

A key driver for employers to provide occupational pensions is that they enhance employee commitment. The provision of pensions helps build a long-term relationship between the employer and employee. Recently, AEGON surveyed individuals in 9 countries on their thoughts on retirement planning and pensions. While this survey did not specifically address the needs of expatriate employees, it does provide valuable insight into employee commitment and the impact of pensions across a wide variety of countries and cultures.

If we look at how employees presently feel about their retirement, the AEGON 2012 survey reveals that 71% of employees believe that future generations will be worse off in retirement than current retirees. In all countries surveyed (except Sweden and the US), there are now a greater number of people who are pessimistic rather than optimistic that they will be able to enjoy a comfortable lifestyle in retirement (see the chart below). Overall, 74% think that state pensions will have to be reduced and 54% expect to receive a reduced pension from their employer. Employees are feeling insecure about their retirement provision.

Widespread pessimism about retirement outcomes

How confident are you that you will be able to fully retire with a lifestyle you consider comfortable?



Source: AEGON

If we look specifically at how employees feel about their occupational pensions, 70% of employees interviewed saw occupational pensions simply as a right. However, it is clear that not all companies offer similar retirement benefits and 70% also thought that occupational pensions are an important differentiator when deciding to work for a particular company.

The value of occupational pensions

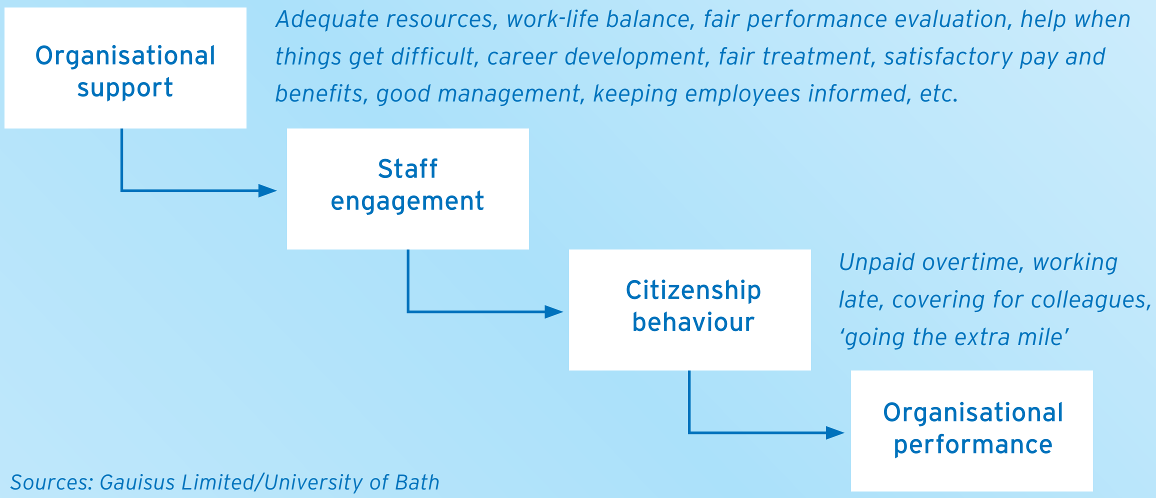
The fact that employees are feeling less secure about their retirement prospects is both a threat and an opportunity for companies. The AEGON 2012 survey shows that individuals are now increasingly aware of the need to plan for their own retirement (with 78% agreeing that they should be doing so). However, the survey also shows that only

15% believe they are on course to achieve their desired retirement income. Awareness of pension issues has seldom been so high, nor the value of occupational pensions so apparent. It is clear that occupational pensions can help attract employees to a particular company. [6]

We wished to see whether the provision of occupational pensions would also affect the behaviours of employees working for a company, in particular whether companies providing their employees with good pensions benefitted from more committed employees.

How supportive companies benefit from dedicated employees

Organisational support leads to organisational performance

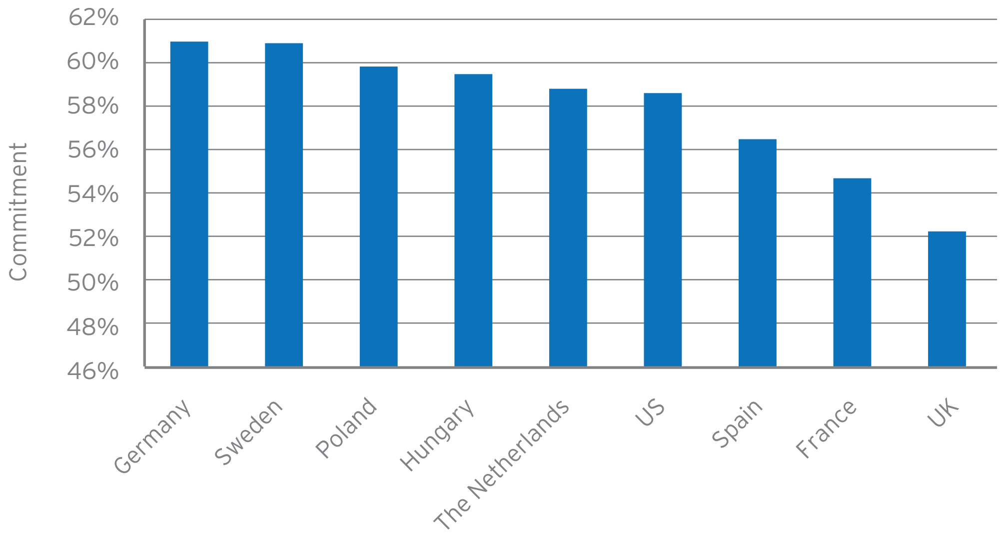


Sources: Gauisus Limited/University of Bath

There is a clear link between how supportive employees perceive their employer to be and how committed they are to their employer.[7] Employees demonstrate this commitment by being willing to perform additional work above and beyond their normal duties – what may be described as 'going the extra mile.' Such behaviour can enhance the overall performance of the business, increasing competitive advantage and driving profits.[8]

6 Nyce 2012.
7 See, for example, Eisenberger et al., 1986; Rousseau, 1990, 1998, 2004; Wayne, S.J., Shore, L.M. and Liden, R.C. 1997; Boeselie, et al., 2005; Wright et al., 2005. Meyer, J. P. and Allen, N. J. 1991; and Meyer, J. P. and Herskovits, J. P. 2001.
8 See, for example, Organ, 1988; Coyle-Shapiro and Kessler, 2000 and 2002; Coyle-Shapiro et al, 2006; Green, 2008, Green et al, 2009.

Employee Commitment

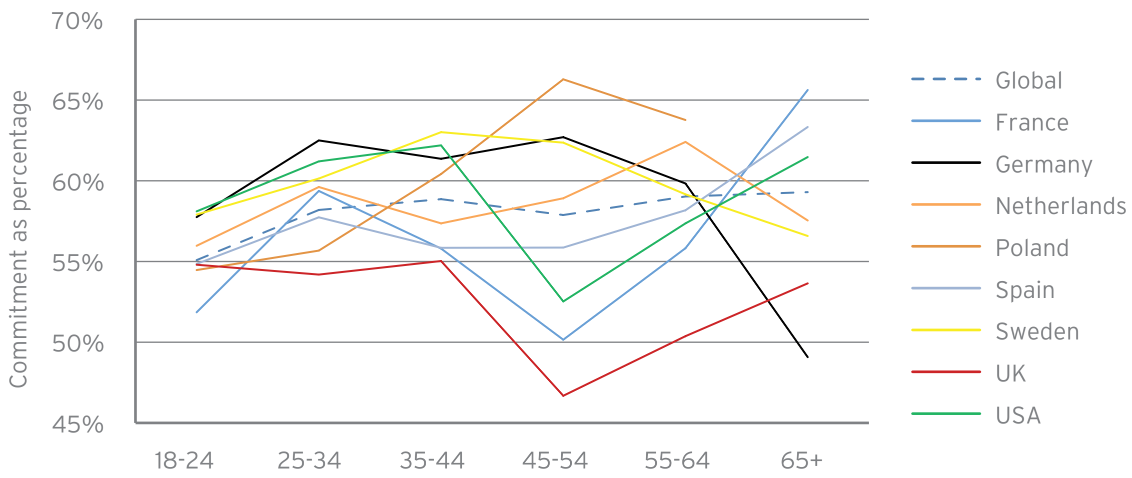


Source: AEGON

In order to see the effect of pensions on commitment, we first measured the commitment levels of all employees. The chart above shows the average employee commitment across all employees in the 9 countries surveyed (expressed as a percentage where 1% = virtually no commitment and 100% is maximum commitment to the employer). Employees in Germany and Sweden show the highest levels of commitment (61%), and UK employees the lowest levels (52%).

The patterns of commitment in different countries also vary by age (see chart below). Although, in general, older employees tend to be more committed, the UK, France and USA all show a significant drop in commitment in the 45-54 age group, followed by a sharp rise in commitment at older ages. Germany and the Netherlands in particular show the reverse tendency.

Employee Commitment (by Age)



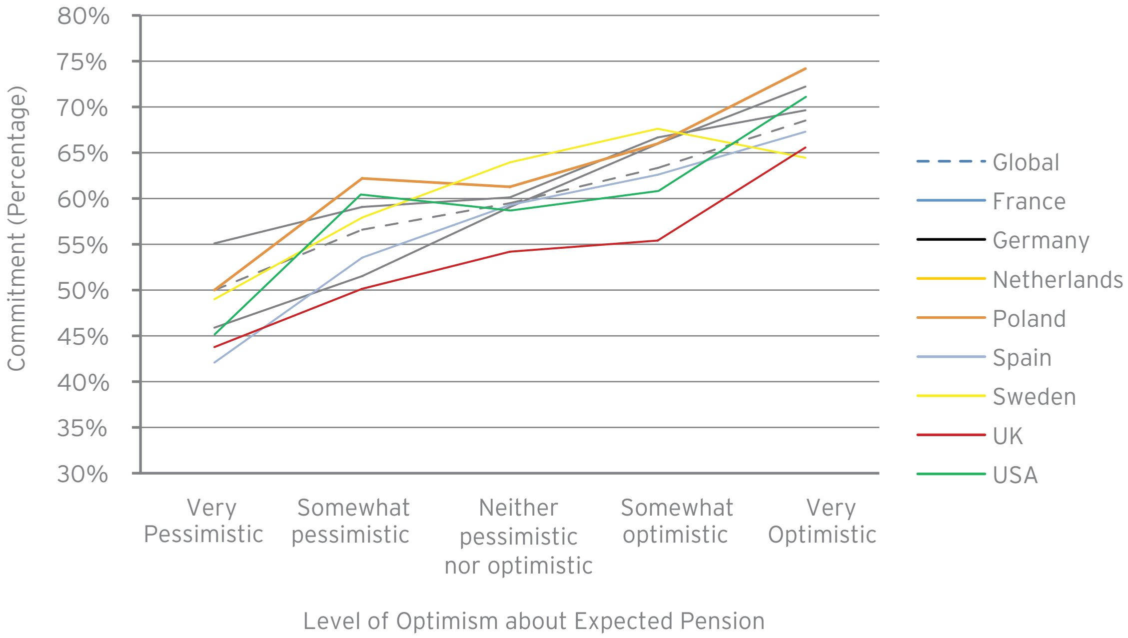
Source: AEGON

These differences should be considered when designing the pension plan and its communications so as to maximise the value which the employer gets, in terms of extra potential commitment, from providing the benefit.

Increased optimism about retirement is reflected in increased commitment...

On questioning employees on how committed they were to their company, we found that those who were optimistic about being able to achieve a comfortable retirement were up to 7% more committed than others.

Employee Commitment



Source: AEGON

The chart above shows a strong correlation between the degree of optimism felt about retirement and the degree of commitment to the company. Although it is probable that it is not only optimism about the pension that is increasing commitment – our findings indicate it may explain approximately 7% of the increases – it is likely that employers who ensure that their employees can feel optimistic about their retirement, are good employers to work for in many other respects. Employers who support their employees can expect to be rewarded with increased employee commitment, which in turn can be used to boost productivity.

...and increased commitment can deliver outstanding performance

Increased commitment can take many forms. Highly committed employees see the company's goals as their own. They are more likely to work late to get their job done, more likely to cover for colleagues when needed, and more likely to go the extra mile to ensure the client receives the best service. All these behaviours can make the difference between merely competing in the market and being outstanding. Clearly, it is for each company to decide how best to harness increased commitment from employees in order to gain competitive advantage but our research shows that a pension plan that delivers greater optimism to employees about the security of their retirement income is correlated with increased commitment. This higher commitment can in turn be directed towards outstanding performance in achieving the company's goals.

Chapter 3
Improving expatriate pensions

Designing an effective International Retirement Plan

Optimism about retirement outcomes can have a significant impact on employee commitment. Employees who are optimistic about their retirement feel more committed to their employer. How can companies help their expatriate employees to feel more optimistic about their retirement outcomes?

In the past, many companies simply provided expatriate employees with additional financial compensation instead of a retirement plan. However, few companies would take such a 'fire and forget' mentality to their employees in local pension plans and there are very good reasons not to do so with expatriate employees.

If a company wishes to provide its employees with sustainable and adequate occupational pensions, it should apply the same reasoning for its expatriate employees. Indeed, expatriate employees are likely to require more assistance rather than less, as they are working in an environment that is different from their home environment.

Through the creation of a single retirement plan for expatriate employees, companies can gain better control and oversight over the quality and cost of the pension benefits they are providing. By selecting a high quality provider in a secure and trustworthy domicile, they can also assist their expatriate employees and help ensure that their retirement savings are being invested prudently and effectively.

An expat population will, by its very nature, be both diverse and demanding. This means that an expatriate pension plan should have a greater degree of flexibility, offering a wider range of investment solutions that cater for varying needs and requirements.

In this chapter, we provide an overview of the key elements that need to be addressed in designing and implementing an effective international retirement plan.

Providing solid governance

Governance is important in any pension plan, but requires more consideration for an international retirement plan. Because an international retirement plan sits outside the scope of domestic pensions regulators that provide an operational framework for domestic plans, sponsoring companies and their advisers should pay significant attention to establishing an appropriate governance structure.

Two main regulatory frameworks are available for expatriate pension plans: trust-based and contract-based solutions. Although there are advantages and disadvantages to both methods, both types of solution meet the fundamental objective of creating a funded retirement solution, where the assets are shielded from creditors. The trust-based approach has the advantage of creating a clear legal framework for the governance process but it does bring additional costs and, arguably can ultimately constrain the governance process. A governance committee overseeing a contract-based approach can have a broader role – with a mandate to seek to optimise the approach to providing the benefits whereas the trustee role is more akin to 'policing' the arrangement in order to ensure it is run in accordance with the trust provisions.

Companies also have to decide where their international retirement plan should be domiciled. Unlike local national pensions, sponsors have a choice in establishing the domicile of their international retirement plan. Two main factors determine the suitability of the domicile: (1) the solidity of the domicile and its regulatory framework and (2) efficiency of the domicile in terms of tax treatment and regulation. Many employers are wary of the lack of investor protection in some 'offshore tax havens' and the potential adverse publicity, in today's social and political climate, of being seen to use plans based in these locations. However, it is also important that the domicile selected is as tax-efficient as possible, given that contributions to such plans are likely to be taxable benefits on the expatriate employees, and that it should not have excessive 'red-tape' that hinders the plan from achieving its objectives.

Design a plan that delivers what it promises

If employees understand and trust the pension plan being offered to them, they are more likely to be able to feel confident about achieving a comfortable retirement. It is important therefore that company pension plans deliver what they promise. As expatriate employees are likely to work around the world, they require an international retirement plan that is highly flexible and easy to implement, regardless of where they work or wish to retire. In addition, employees must be able to understand what they are being offered and what they need to do themselves.

If, for example, a company offers matching contributions, employees need to be aware of the implications of the saving choices they make. If employees are not saving enough and only become aware of this at a later date, they will lose faith and their commitment is likely to fall. Similarly, if employees become aware of hidden costs in a pension plan, confidence is also likely to be damaged. Building confidence starts with designing a plan that is appropriate and which will maximise the probability of achieving the level of pension needed by employees.

When designing an expatriate pension plan, companies should take into account the following five points:

1 Ensure adequate levels of contributions

The amount of contributions has a direct bearing on the eventual outcome. Contributions should be sufficient to achieve the intended outcome (a comfortable retirement), given reasonable expectations of investment return.

2 Design an appropriate contribution structure

Some companies may wish to provide different groups of expatriate employees with different levels of contributions depending upon their home country, others may wish to use an age-related contribution structure. A flexible framework may therefore be required. An age-related structure can enable employees to save enough to maintain a reasonable standard of living after retirement, whatever their entry age into the plan.

3 Create and manage a focused core of investment options

The range of investment opportunities available should include funds capable of achieving, or surpassing, the rate of return over the time period that was used to determine the appropriate contribution level. At the other end of the spectrum, the range should also include funds that minimise the risk of falls in value in the years immediately before retirement. Retirement plans should also offer passive funds in order to offer a low cost option to members. Plan participants are often most helped by a relatively compact range of funds rather than being overwhelmed with choice. However, retirement plans for expatriates should offer a fund range that is wide enough to cater for diversity. One obvious requirement for expatriate pensions is the ability to invest in multiple currencies, but investment options may also have to be broader. For example, there is a greater desire for capital guaranteed products in continental Europe than in the UK or USA, because of different risk profiles.[9]

4 Provide effective default investment options

Many individuals are not confident of their ability to decide which investments will best help them to achieve their objectives. A default investment strategy which seeks growth while people are younger and seeks to consolidate that growth as they approach retirement would frequently be appropriate. This implies using a lifecycle approach or the use of target-dated funds.

9 On this subject, see Tans 2009, 4.

5 Assist plan members with the payout phase

Given the need to make people feel confident that they will be able to retire on an adequate income, the plan must optimise the conversion of the accumulated fund into pension. The Pensions Regulator in the UK, and others, have identified the failure of many plans to focus on this area, which can make a difference of 30% or more in the amount of income people receive.[10] Help should be provided to ensure that retirees shop around when looking to buy an annuity. Care is also required for expatriates in order to ensure that the approach taken to providing benefits is as tax efficient as possible. It may be better to take a lump sum in the country in which an employee is working immediately prior to retirement, if that jurisdiction has more favourable tax treatment than the country in which they intend to retire.

A flexible framework – auto-escalation and matching contributions

Using auto-escalation and matching contributions (as illustrated below), it is possible to create an international retirement plan whose basic design will meet the needs of employees of all nationalities. The extent to which employees from different countries take advantage of their employer's matching contributions depends on their needs, which in turn may depend upon what they can expect to receive from their home state's pension system.

For example, employees from the UK and US probably need to take full advantage of the matching contributions, but those who can still expect substantial state benefits (for example, the French) may be able to contribute less (and thus receive less in matching contribution). Global nomads who can expect a negligible state pension will need to take full advantage of their employer contributions.

All communications and educational materials for the employees should be tailored according to the needs of the different groups of employees, so that they are fully aware of the consequences of their decisions.

Age Range	Employer Contribution	Employee Contribution
Under 30	3%	3%
30-39	5%	5%
40-49	7.5%	7.5%
50-59	10%	10%
60+	12.5%	12.5%

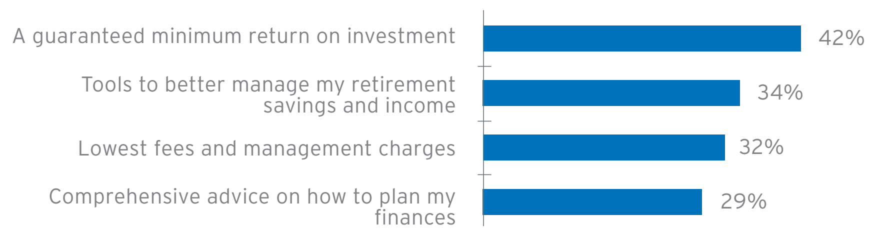
Source: AEGON Global Pensions

The plan design above is intended to provide a pension of approximately 50% of projected final salary for a joiner aged 20 (assuming a 3% annual salary increase, 5% annual investment return, and approximately 20:1 conversion rate for an annuity at 65).

For a joiner aged 30, it provides approximately 40% of their projected final salary as a pension. For a joiner aged 40, it provides approximately 30% of their final salary as a pension and, for a joiner aged 50, it provides approximately 20% of their final salary as pension.

10 See, for example, http://www.thepensionsregulator.gov.uk/press/pn10-20.aspx.

What do employees want?



Source: AEGON

As part of the AEGON 2012 survey, individuals identified what they most wanted from products and providers when saving for their retirement, the most important of which are shown above. Given the volatility of the financial markets over the past years, it is perhaps unsurprising that 42% of individuals expressed an interest in receiving a guaranteed minimum return on their investments. Although such guarantees are available, they do come at a cost in terms of potential reward. In principle, if returns are to be guaranteed, they will be potentially lower than non-guaranteed returns. There are clear cultural differences in how individuals approach risk and reward, with people in the US and UK typically showing a tendency to seek returns and continental Europeans seeking security.

Clarity and transparency – helping plan members to understand their retirement benefit

Not only should an international retirement plan be well designed, it is also important that employees are able to understand the benefit they are being offered. Expatriate employees will need to be able to relate the benefit they are being provided with through the international retirement plan with the pension plan that they would otherwise receive in their country of origin. In this respect, for a DC plan, employees need to know how much their employer will contribute to their plan and how much they should be contributing in order to be able to achieve their targeted level of savings for retirement.

As stated previously, DC plans place considerable responsibility on the employee for investment decisions. Expatriate employees also have to be able to understand and manage potential currency risk and tax implications, as well as keeping an overview of the (possibly quite small) state pensions they may be building up as their international career progresses. It is also very important that employees understand that they need to plan for a range of possible outcomes and are prepared to change their saving behaviours accordingly.

In order to be confident that the plan will deliver them the level of income they need in retirement, employees need to understand how it has been designed to achieve that goal. This requires the employer to understand their employees' needs and concerns, and to use clear, jargon-free communication.

Transparency is, of course, not just important for employees but also for the employer, who is providing the benefit. An international retirement plan should be seen as an intrinsic part of a long-term occupational savings plan. Companies need to make their employees aware of what they are doing on their behalf. This requires communication. In fact, communication is now key to retirement saving in a way that is has not been previously. DC plans require continuous, clear communications. It is not sufficient to talk about retirement plans upon entry to the company and then to cease communication. Employees need to think about their retirement savings; they require help, encouragement and education.

Communicating with expatriate employees about their retirement plans requires similar tools and methods as with employees in local plans. The main principles to consider when communicating with expatriate employees about their retirement plan are:

- Keep it simple – explain the principles behind the design of the plan. Say it has been designed to target a given level of income and how it is supposed to achieve that.
- Make it relevant – use real life examples showing how it will work in practice.
- Be open and transparent – be clear about the costs and risks and how the plan deals with them. Employees will have confidence in the communication if it doesn't hide difficult issues from them.
- Provide a route-map – show your employees the steps they will need to take, from joining through making investment decisions to retiring.
- Give them help – make sure your employees know how to get help.
- Keep talking – it is important to regularly remind your employees to pay attention to their retirement savings; it is also important to update them on any changes, particularly if external factors, such as the recent financial crisis, look as if they may affect the plan's ability to deliver the outcomes they are looking for.

The need to communicate offers companies an opportunity to show their support for their employees and to highlight the value of the benefit they are offering. Once again, expatriate employees have an even greater need for communication, given the complexities of working and living in different countries and regulatory environments. Communication creates clarity and confidence.

International Retirement Plans in action – a case study

A major multinational company wished to establish a pension plan for those of its expatriate employees who could not continue to participate in their home country plan and for whom it was not possible or appropriate to join their host country plan.

Consistent service and governance

The company determined that the international retirement plan should be provided according to the guidelines laid out for all of its new pension plans, that is, that it should be a defined contribution plan with the employer matching employee contributions. The company then selected a single provider for its expatriate pensions worldwide in order to leverage its corporate buying power and to maintain consistency of service and governance across its locations around the world.

A flexible framework

Some companies treat expatriate employees as a single defined group of employees with similar rights wherever they come from, while others segment their expatriate employees according to what they could have expected to receive in their country of origin. In this case, the company in question maintains a devolved pensions regime but with strong central reporting requirements, meaning that each country operation can set its pension contribution levels according to the requirements of the local market but within the limits set in the centralised reporting and management framework.

For its expatriate pensions, the company applied a similar approach, setting up several expatriate 'hubs' for which the local responsible subsidiaries were empowered to determine the contribution structures applicable for their location (with matching contributions ranging from an upper limit of 5 to 10 per cent depending upon the particular hub). The International Retirement Plan is flexible enough to enable the *different contribution structures at the different hubs while providing a consistent investment offering and centralised control and reporting for the company headquarters.*

Targeted communication

Communication of the plan is also two-tiered with general communication materials provided by the office responsible for global pension policy (and the provider), which is supplemented with specific local communications that address local needs and concerns.

Conclusion

Providing high quality pensions for expatriate employees

Expatriate employees are typically of high value to their employer but they are also among the most difficult employees to provide retirement savings for. Setting up a centralised, well designed and flexible international retirement plan is not only more efficient but also aids transparency towards employees. This transparency in turn can help employers to communicate clearly the benefit they are providing. By helping their employees to prepare well for their retirement, companies can provide an important boost to their employees' commitment levels.

In designing an international retirement plan, companies need to be aware of the national backgrounds and expectations of different groups of expatriate employees. Some companies may wish to approach their expatriate employees as a single distinct group of employees but others may wish to tailor some aspects of the plan to specifically meet the different needs or expectations of certain subgroups of expatriate employees. For example, it may make sense to identify groups or clusters of nationalities that will have certain expectations or characteristics when it comes to retirement savings.

By providing expatriate employees with a high quality retirement plan that is easy to understand and use, companies can help support these valuable employees – and employees who feel supported by their companies are in turn more willing to 'go the extra mile' for their employer.

10 guidelines for expatriate pensions

1) Think of expatriate pensions as part of an integrated long-term strategy both for the company and the individual expatriate employees.

It is important to view expatriate pensions as part of your employees' long-term savings strategy for retirement. This need not be more expensive or difficult to provide than offering additional cash remuneration on a one-off basis, and demonstrates the employer's commitment to the long-term wellbeing of its employees. There is a clear link between how supportive employees perceive their employer to be and how committed they are to their employer.

2) Identify expatriate employees who require an international retirement plan

Most multinational organisations distinguish between three categories of international employees: limited duration assignments (or short-term assignees), permanent moves (long-term assignees) and highly mobile international assignments ('global nomads'). Global nomads require an international retirement plan.

3) Be aware of national differences and plan accordingly

It may be helpful to develop a global framework of guiding principles (for example, a policy of targeting outcomes rather than contributions; benchmarking against home country plans; supplementing rather than integrating with state provision).

4) Provide carefully selected investment options

Offer a range of investments to suit different attitudes to risk (being aware of cultural differences in risk tolerance) including:

- A restricted core range of funds to avoid overwhelming employees with choice
- A default fund for those who cannot decide
- Use passive funds where appropriate
- Multi-currency payment and investment capabilities.

5) Ensure effective delivery

Set service standards for providers and monitor performance (turnaround times, complaints handling, etc.).

6) Select a suitable provider

In selecting a suitable provider, companies may wish to use the services of consultants or specialist advisors. In order to be able to effectively manage their international retirement plans, expatriate employees require online access to their international retirement plans. They also need to be able to make payments, investments and withdrawals in multiple currencies. Multilingual support is also important. Transparency, investor protection regime, efficiency and cost-effectiveness are also important factors in selecting a provider and the country in which the plan is managed.

7) Communicate effectively

Tailor and target communications to specific groups.

8) Educate your employees

Employees who understand what they need to do will see and appreciate what the company is doing for them.

9) Remain committed

Expatriate employees may require continued assistance when moving between countries or when returning to their home country. If contribution levels are flexible, it may also be important to monitor how employees are managing their international retirement plans to ensure that they can continue to feel prepared and optimistic about their retirement.

10) Offer assistance for the payout phase

This can be as simple as offering links to annuity services on the company intranet but may include individual financial advice as part of pre-retirement courses.

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